

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 ACDA-05

SAJ-01 /113 W

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 8692

INFO /AMEMBASSY BERLIN 037

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AMEMBASSY JIDDA

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SUBJECT: USSR/EGYPT: TRADE AND DEBT

REF: CAIRO 12663

1. DETAILS OF SOVIET/EGYPTIAN TRADE PROTOCOL FOR 1976, WHICH
WAS INITIALLED ON DECEMBER 13 AND MAY ENCOUNTER SOME
PROBLEMS BEFORE IT IS FINALLY ACCEPTED BY USSR SIDE,

ARE ESSENTIALLY AS PUBLISHED IN PRESS AND REPORTED REFTEL.

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2. EGYPTIAN EXPORTS ARE SET AT L196 MILLION STERLING AND

SOVIET AT L125 MILLION STERLING. DIFFERENCE OF L71 IS HIGHLIGHTED IN PRESS AS ROUTINE AND NORMAL FULFILLMENT OF EGYPT'S DEBT OBLIGATIONS TO SOVIET UNION. (RUSSIANS, OF COURSE, DO NOT CONSIDER BALANCE OF COMMERCIAL TRADE IN THEIR FAVOR AS BEING REPAYMENT OF ECONOMIC OR MILITARY DEBT. SEE BELOW).

3. EGYPTIANS ARE STILL SURPRISINGLY UNWILLING TO DISCUSS ENTIRE ISSUE, INCLUDING PUBLISHED DETAILS OF TRADE AGREEMENT, AND WILL NOT EVEN SPECULATE AS TO WHEN IT WILL BE PUT INTO EFFECT. THEY PROFESS TO KNOW EVEN LESS ABOUT WHEN DEBT DISCUSSIONS MIGHT RESUME, ALTHOUGH THERE IS OBVIOUSLY CONSIDERABLE INTEREST IN THIS SUBJECT.

4. IN FACT, BY SUSPENDING NEGOTIATIONS ON REPAYMENT ON DEBT, SOVIETS HAVE PROVIDED A DE FACTO MORATORIUM, SOMETHING THEY HAD EARLIER INSISTED WAS THE ONE THING THEY WOULD NOT DO. MINCOUNSELOR AKAPOV WRYLY ADMITTED TO ECONCOUN THAT NOTHING WAS BEING PAID AT PRESENT, BUT HE STRESSED DESIRE OF BOTH SIDES TO COME TO AN AMICABLE SOLUTION TO CURRENT STALEMATE. AS ILLUSTRATION OF SPIRIT OF COMPROMISE THAT PREVAILED AT MEETINGS, WHICH HE DID NOT PERSONALLY ATTEND, AKAPOV SELECTED FACT THAT EGYPTIANS HAVE DROPPED THEIR EARLIER INSISTENCE ON 10-YEAR GRACE PERIOD. IN RECOGNITION OF UNACCEPTABILITY OF THIS TO SOVIETS, GOE IS NOW ASKING FOR FIFTY-YEAR REPAYMENT PERIOD, VICE THE 10-YEAR GRACE-40 YEAR REPAYMENT SCHEME WITH WHICH THEY STARTED.

5. AKAPOV SAYS HE HAS LITTLE INFORMATION ON LIKELIHOOD HIS GOVERNMENT WILL ACCEPT SUCH A PROPOSAL, BUT DUE TO STRONG TIES THAT BIND TWO COUNTRIES TOGETHER, AND MUTUALITY OF INTEREST IN FINDING SOLUTIONS TO PROBLEM, HE WAS CERTAIN THAT ECONOMIC AND MILITARY DEBT QUESTIONS WOULD BE RESOLVED IN NEAR FUTURE.

6. ON SUBJECT OF EGYPTIAN VIEW THAT TRADE SURPLUS FROM THEIR SIDE CONSTITUTED REPAYMENT, AKAPOV WAS NOT AT ALL AS RELAXED. HE BECAME QUITE VEHEMENT IN EXPLAINING THAT ECONOMIC ASSISTANCE, IN FORMS OF MACHINERY, TOOLS, EQUIPMENT AND FACTORIES, AND MILITARY ASSISTANCE CANNOT BE PAID FOR IN LIMITED OFFICIAL USE

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COMMERCIAL CHANNELS. IN ADDITION TO FACT THAT PERFUME AND FURNITURE CANNOT BE EXCHANGED FOR SUCH HARDWARE AND CAPITAL GOODS, AKAPOV INSISTS, COMMERCIAL MATTERS ARE HANDLED BY AN ENTIRELY SEPARATE PART OF SOVIET GOVERNMENT. HE SAYS RUSSIANS HAVE MADE THIS POINT REPEATEDLY TO EGYPTIANS AND HE IS CERTAIN THEY UNDERSTND IT EVEN IF PRESS GIVES DIFFERENT VIEW OF MATTER. (EMBASSY IS NOT SO CERTAIN. EGYPTINS SHARE WITH MOST OTHER PEOPLES OF WORLD A CAPACITY TO BELIEVE WHAT

THEY SAY, OVER TIME, PARTICULARLY IF IT IS TO THEIR ADVANTAGE.

7. IT DOES SEEM CLEAR THAT DESPITE SOUND BASIS FOR SUBSTANTIAL DISAGREEMENT ON SIGNIFICANT ISSUES; BOTH SIDES MADE EFFORT TO KEEP MATTERS UNDER CONTROL. IT SEEMS EQUALLY CLEAR THAT SOVIETS MADE BIGGER EFFORT THAN EGYTIANS WHO USED PRESS FREELY IN EFFORTS TO FORCE ISSUE AND EMBARRASS USSR. THEY WERE AT LEAST PARTLY SUCCESSFUL, SINCE SOVIET EMBOFFS WERE VERY ANXIOUS TO KNOW HOW OTHERS SAW USSR POSITION.

8. IN OTHER WAYS, TOO, SOVIETS WERE PUT THROUGH TESTING PERIOD. AKOPOV SAID FACT THAT THREE DIFFERENT CHAIRMEN APPEARING ON EGYPTIAN SIDE (MINFIN ABU ISMAIL, MINTRADE ABDEL FATTAH, DEPMINTRADE NAHAL) WAS A SOURCE OF CONFUSION AND ANNOYANCES PARTICULARLY SINCE NAHAL, WHO HANDLED LAST SEVERAL DAYS OF TALKS, KEPT INSISTING HE WAS PUTTING FORTH PERSONAL VIEWS. FURTHER, EGYPTIAN REFUSAL TO COMMIT THEMSELVES TO 65,000 TONS OF COTTON (PROTOCOL SAYS 50,000) WILL COMPLICATE RUSSIAN ECONOMIC PLANNING. AT SAME TIME, THEY INSIST THAT PERFUME, COSMETICS AND FURNITURE (STYLE FOUAD QUATORZE) BE TAKEN IN INCREASED QUANTITIES.

9. COMMENT. DESPITE ALL THESE PROBLEMS, SOVIETS APPEAR TO HAVE GONE ALONG, AT LEAST TACITLY, WITH WHAT GOE HAS BEEN AFTER. RUSSIANS APPEAR VERY WILLING TO MAINTAIN RELATIONSHIPS HERE, EVEN AT SOME MINOR COSTS AND INCONVENIENCES. NEXT ROUND WILL REPORTEDLY TAKE PLACE IN MOSCOW, AND MIGHT ASSUME ENTIRELY DIFFERENT PROPORTIONS ON HOME COURT. AT PRESENT, HOWEVER, THERE APPEARS TO BE EXTENSIVE FLEXIBILITY ON RUSSIAN SIDE.
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